

## ECONOMIC ALERT

### U.S. PERSONAL INCOME & OUTLAYS – APR 2018

Released Thursday, May 31, 2018

**Personal Income:** +0.3% month-over-month (Cons: +0.3%), +3.6% year-over-year

**Personal Consumption Expenditures:** +0.6% month-over-month (Cons: +0.4%), +4.5% year-over-year

**Core PCE Price Index:** +0.2% month-over-month (Cons: +0.1%), +1.8% year-over-year

**Savings Rate:** 2.8%, -0.9 percentage point (ppt) year-over-year

#### Quick Take:

Personal income rose +0.3% month-over-month in April, in line with economists' estimates. Year-over-year personal income growth was +3.6%, up from +3.5% growth in March. Wages and salaries, which make up  $\approx$ 50% of personal income, grew +4.6% year-over-year in April, unchanged from March. On a 6-month annualized basis, wages and salaries rose +5.3% as of April.

*Real* disposable income, an indicator of purchasing power, was up +0.2% month-over-month in April and rose +1.5% year-over-year.

*Nominal* personal consumption rose +0.6% month-over-month in April, above economists' expectations and the largest increase in 5 months. *Nominal* personal consumption growth in April was driven by both services and goods consumption, which rose +0.5% and +0.7% month-over-month, respectively. Services spending, which makes up approximately two-thirds of personal spending, rose +4.7% year-over-year in April, the highest level of growth in 11 months. *Real* personal consumption rose +0.4% month-over-month in April and +0.5% in March after declining for two consecutive months to start the year. On a year-over-year basis, *real* personal consumption rose +2.7%, up from +2.4% in March.

The personal spending data over the past two months has been encouraging given typical seasonal weakness that occurred in January and February. The U.S. consumer has shown a willingness to spend, and confidence remains high given the low level of unemployment and the healthy pace of gains in wages and salaries. As such, we expect personal consumption to exhibit a rebound in Q2, as has commonly occurred in recent years.

# WESTEND

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## ADVISORS

On the inflation side, month-over-month growth for the core PCE price index was +0.2% in April. Year-over-year growth was unchanged at +1.8%. Price pressures have moved higher since Q3 2017 alongside the tightening labor market, and both 6-month and 3-month annualized growth in the core PCE price index was +2.0% in April.